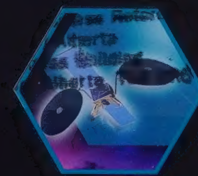


GLENTEL

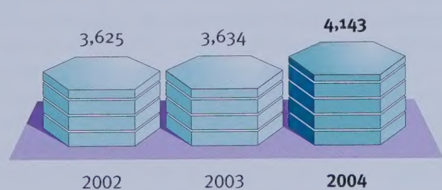
Annual Report 2004

CORPORATE PROFILE Glentel is a leading provider of wireless communications solutions in North America. Our Wireless Business Division focuses on wireless communications solutions for business, industry, and government. Our WirelessWave Retail Division, through its WirelessWave retail mall-based stores in British Columbia, Alberta, Manitoba, and Ontario, focuses on the cellular retail market in Canada by providing consumers with choice in network service providers, cellular phones, rate plans, and accessories.

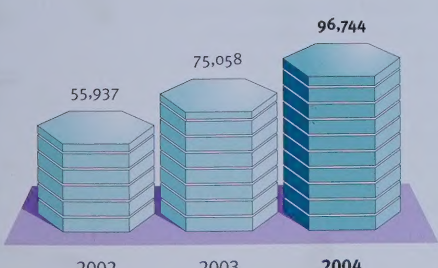
HIGHLIGHTS 2004

Years ended December 31 (In thousands of dollars, except per share amounts)

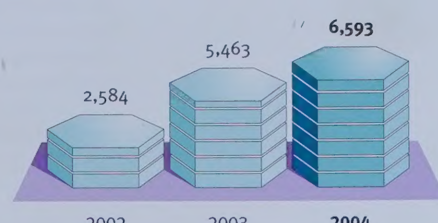
	2002	2003	**2004**
Sales	$ 55,937	$ 75,058	**$ 96,744**
Operating income	$ 2,584	$ 5,463	**$ 6,593**
Net income	$ 3,625	$ 3,634	**$ 4,143**
Net income per share - basic	$ 0.45	$ 0.45	**$ 0.50**



NET INCOME in $000



SALES in $000



OPERATING INCOME in $000

To Our Shareholders

THOMAS E. SKIDMORE

Chairman, President
and Chief Executive Officer

THE PAST YEAR was one of growth, profitability, and competitive positioning for Glentel. Our two operating divisions experienced success in their respective marketplaces.

Our WirelessWave Retail Division gained critical mass in the Canadian mall marketplace and our brand continues to gain public awareness. We opened 18 mall stores, finishing the year with 86 stores. Most new stores were opened in the last 120 days of the year and they are being well accepted in their communities.

The Canadian cellular industry continues to grow, although not to the extent of our United States neighbour. With 14+ million mobile phones, the penetration rate is less than 45%, whereas the United States is now over 60% and some European countries are enjoying rates exceeding 100%. There is plenty of growth room in our core market, 18- to 34-year olds. We enjoy unique positioning in the malls, since there is limited competition offering multiple carrier brands in the same store with a shopping venue catering to the young-adult market segment. There was considerable competition last year from national and regional retailers, coupled with Canadian carriers aggressively fighting for market share. During the year, TELUS put Microcell Solutions (Fido) into play in the 2nd quarter. Subsequently, Rogers Wireless was the successful and logical bidder for Microcell, resulting in a completed sale in November. Leading up to this, for most of the 4th quarter aggressive customer switching programs were undertaken by the incumbent carriers against both Rogers Wireless and Fido Solutions. A free cellular phone and a year of free service to switch from Fido to one of the incumbent phone carriers was met with varying degrees of success. WirelessWave did not embrace these programs and was able to overcome the campaigns due to our knowledgeable team and our strategic position in the mall marketplace. Although there was no repeat of the successful 2003 CityFido fall campaign, we maintained our market share by offering competitive Fido Solutions plans along with attractive family value plans available from Bell Mobility and Rogers Wireless.

In 2004, mobile phones offered features such as integrated cameras, internet, personal digital assistant (PDA), MP3 player, voice recorder, global positioning (GPS), and video recorder. Convergence of different technologies from various manufacturers is being introduced into new models. In 2005, camera lenses will become more sophisticated, and shared video, Walkman, and Apple iTunes will find their way into phones. The growth in these phones and related accessories will bode well for continued sales and profitability growth for WirelessWave. There is currently an insatiable appetite by our supply partners, Bell and Rogers, to introduce value to their customer base by offering monthly incentives to acquire multiple services. In 2005, our company will begin offering these products and services from both Bell and Rogers. These will include digital satellite television, digital home phone, voice over internet (VoIP), long distance, digital cable, and prepaid product card offerings. We recently entered into an agreement with Apple Canada to sell iPods. We continue to refine our lineup with product offerings satisfying the demands of our target market. An aggressive, new prepaid mobile phone reseller, Virgin Mobile from Great Britain, has entered the market in Canada. We will be challenged to keep ahead of the youth curve to make our company "the place to go" for their mobile phone. We will continue to expand our operations in the provinces in which we operate, and will make our first move into the province of Québec. We believe our company is ready and will be well received in Québec by our customers and supply partners. We look forward to a consistent level of sales performance and profitability from all our stores. We also continue to look for exciting opportunities to expand our brand presence. In preparing for expansion and managing store maturity, we have made significant investment in an accelerated training program, rewards program, and comprehensive software operating system to better track customer behaviour, inventory management, store productivity, and team performance. Considering our store count, national presence, and business plan, we believe it of utmost importance in our growth phase to make these investments of time, energy, and capital.

Our Business Division also enjoyed increased sales and profitability. We successfully absorbed the Edmonton-based company acquired in late 2003. Although taking longer than first anticipated to integrate, it was well worth the time to reposition our product lineup, service, sales, and management team.

There is a tremendous opportunity to grow in the commercial wireless segment of the market. Small and mid-size businesses need assistance in integrating communication systems and services, including cellular, satellite, two-way radio, radio monitoring, mobile data, and wireless broadband. We have had success in growing our service and airtime revenue. Recurring revenues have grown to be over 30% of total annual revenues. We control many of our tower sites and enjoy rental revenue from them. Satellite services continue to grow and become an important part of our customers' strategy, connecting remote field sites to central corporate offices.

Glentel is a major national two-way radio dealer for Motorola Canada. With this relationship come increased opportunities to serve our customers better. We have invested heavily in upgrading our service and technical skills, providing improved engineered solutions for customers' needs. Our knowledgeable sales consultants, coupled with our engineering and technical staff, have given Glentel a distinct competitive advantage. We are well recognized by our customers for wireless expertise and execution excellence on a national basis.

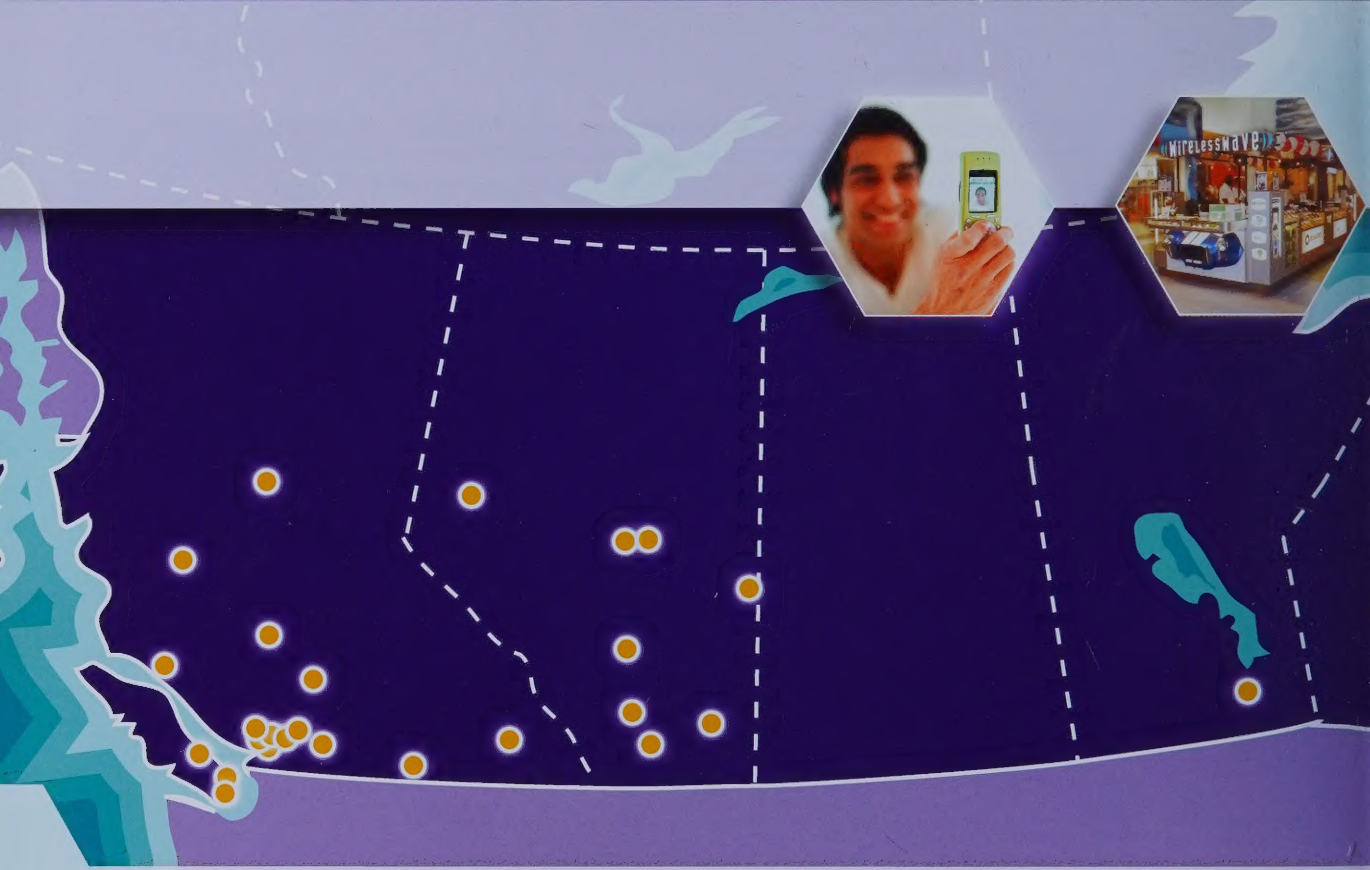
Looking to the short- and mid-term horizon, we see growing customer awareness and acceptance of our data products and services in customer communication systems, in addition to traditional voice wireless products. Wireless broadband products enabling "last-mile" wireless solutions to connect with existing terrestrial communication systems are emerging opportunities for profitable growth. We continue to refine product offerings and processes to provide most effectively the very best of reliable, quality products and services. An investment has been made in a software operating system to better track project sales and service revenues while enhancing our tender costing analysis.

Consolidation is taking shape in Canada. We are assessing opportunities to acquire existing businesses that we believe will enhance our competitive position. We will continue to grow the Business Division both organically and by acquisition. We enjoy a leading position in the two-way radio service business in most of Canada, and see emerging opportunities to leverage this for the betterment of our existing and new customers, who will benefit from our investment, technical knowledge, and service expertise in business and personal wireless products, services, and systems.

Management and their respective teams in both divisions are well poised to take Glentel to a new level of market share and operating performance. We see the coming year as one of continued growth, increased productivity, and profitability. On behalf of the shareholders and our board of directors, I sincerely thank each one of our valued team members, for without their determination, drive, leadership, dedication, and commitment to our common vision of execution excellence, Glentel would not be the successful company that it continues to be. It is my honour and privilege to lead your company into a great 2005.

Thomas E. Skidmore
Chairman, President and Chief Executive Officer

RETAIL DIVISION – WIRELESSWAVE



WIRELESSWAVE – CANADA'S FIRST CHOICE FOR WIRELESS

As the #1 multi-carrier cellular retailer in Canada in 2004, WirelessWave remains Canadian consumers' first choice for wireless solutions. With 18 new stores opened last year, WirelessWave now serves customers through 86 in-line stores and kiosks in malls in four provinces: British Columbia, Alberta, Manitoba, and Ontario. This annual growth is part of a sustained expansion that has seen WirelessWave grow from one store in 1997 and that projects growth to more than 100 stores in 2005.

Choice is one of the fundamental drivers behind this surge of new store openings across Canada that makes WirelessWave one of the fastest growing retailers in the country. Through our three carrier partners – Rogers, Bell, and Fido – WirelessWave has always been able to offer consumers greater choice in products and plans. This is a win-win-win solution.

The carrier partners win, with WirelessWave being the #1 retailer in Canada for both Bell and Fido, and #2 for Rogers. The consumer wins, with a wide choice of cellular solutions to meet their individual needs. And WirelessWave wins, with continued improvement in both top- and bottom-line performance – and the ability to choose, without restriction, where it will open its next stores and kiosks.

With the Canadian Wireless Telecommunications Association forecasting that cellular penetration rates will grow to 50% by 2005, there is ample room for continued growth across Canada. Canada has the lowest rate of cellular penetration of all G7 industrialized countries, the lowest pricing for cellular service, and nationwide service without roaming charges.

There will also be ever-greater choice for consumers as new products and services become available. 2004 saw camera phones that send pictures to other phones or to email addresses take Canadian consumers by storm. 2005 is expected to bring increasing demand from non-business users for "smart phones" and next generation voice and data products from BlackBerry, TREO and PalmOne. The wireless industry is also focusing on bundling products and services – such as enhanced cellphone services combined with satellite service or high-speed internet – and more widespread availability of voice over internet protocol (VoIP).

The explosion of products and possibilities can be overwhelming. But not to WirelessWave staff. Through the WirelessWave Academy and ongoing professional training, they have become recognized as some of the best-trained, most capable wireless experts in the retail industry. This thorough, current knowledge of products and services, and WirelessWave's focus on seeing wireless through the customer's eyes, empowers staff to help customers make the best choice for them.

With industry-leading training and support for creating individual Career Development Plans, our sales representatives see a future for themselves in WirelessWave. Turnover is low, and commitment to providing customers with a "Wow!" experience that keeps them coming back is high.

WirelessWave staff see a company that invests in them for the long-term – and increasingly choose to build a better future for themselves – and for WirelessWave.

TOP-RANKING RETAILER. AGAIN

WirelessWave works closely with cellular network partners to grow our business – and theirs – through product sales, training, advertising, and sponsorships. Partnering with other leaders is a very cost-effective way to build market and consumer awareness. In 2004, WirelessWave was again the #1 multi-carrier retailer in Canada with Bell and Fido, and the #2 retailer with Rogers.

NATIONAL ADVERTISING FOR NATIONAL ATTENTION

In 2004, WirelessWave implemented unique brand marketing programs and initiatives which comprised in-store point of purchase materials, in-mall advertising and a national print, radio, and TV advertising campaign. These initiatives, in addition to referrals and word-of-mouth advertising from customers who have had a "Wow!" in-store experience, have played a significant and sustaining role in powering increased sales, brand awareness, and expansion across Canada.

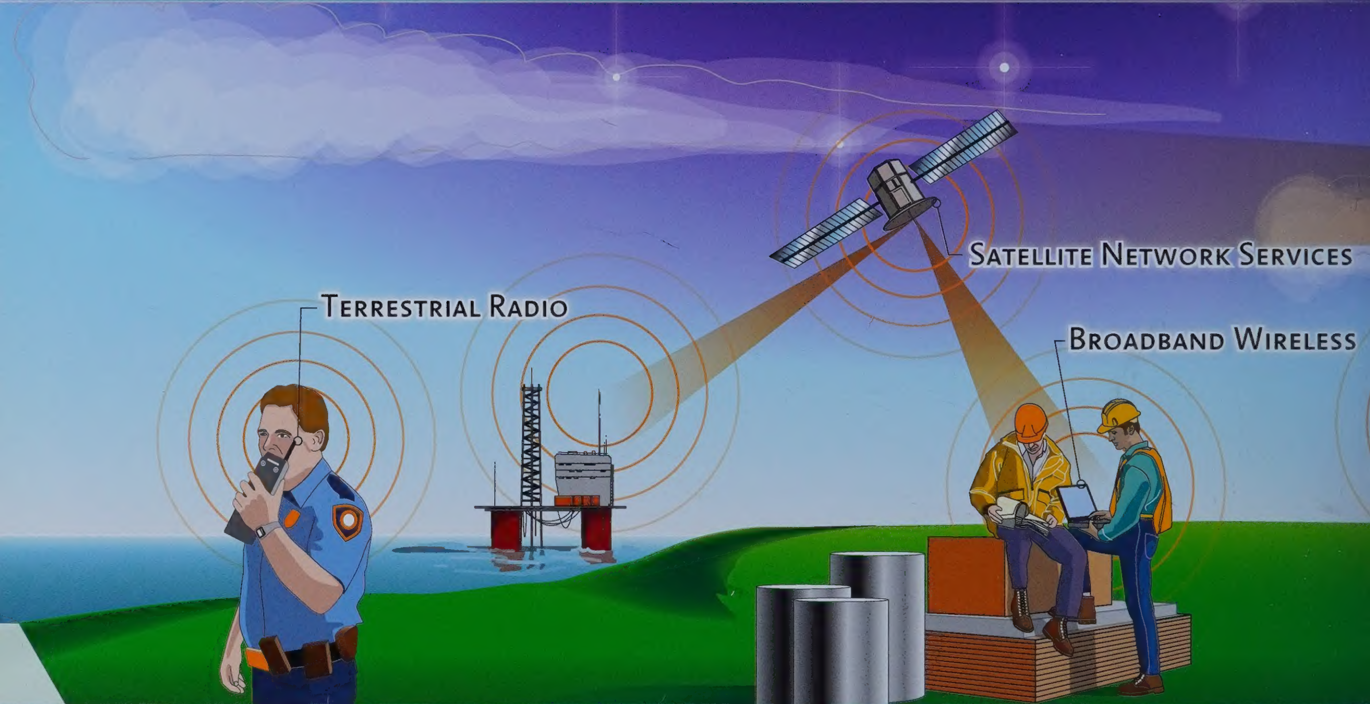
SMART PHONES REQUIRE SMART SERVICE

There is something new in consumer cellular voice and data products virtually every month. 2004 saw widespread demand for new camera phones and increased use of devices with data capabilities. In 2005, the wireless industry is anticipating even greater awareness of, and demand for, "smart phones" that support Windows software and give users full internet access through the Explorer browser. With each new phone and data device, each new enhanced feature, and each new connectivity option come increased need for informed and expert staff to make sense of the new products and services. WirelessWave's industry-leading and up-to-the minute training programs for staff ensure that they will enable our customers to make the best choice in wireless.

BUNDLING PRODUCTS, BUILDING SALES, & SAVINGS

As our carrier partners increase their focus on providing bundled products – for example a cellphone, plus high-speed internet access, or satellite service, or digital cable – in a single offering, WirelessWave is right with them with expert sales support. This is another example of the WirelessWave win-win-win combination. Carriers can cost-effectively expand their markets, WirelessWave can offer existing customers more and attract new customers, and consumers can save by purchasing a bundled product.

Business Division – Glentel



Market Sectors & Applications

Public Safety • Emergency Services • Government • Economic Development • Traffic Manageme
Taxi & Courier Companies • Tourism • Transit • Utilities • Law Firms • Fleet Manageme

SOLUTIONS FOR GROWTH

2004 saw Glentel's Wireless Business Division significantly strengthen capacity for providing private and public sector clients with unsurpassed choice in integrated wireless solutions. Our expertise in advanced engineered applications, mobile solutions, terrestrial radio, satellite communications, and broadband wireless enables us to leverage the most cost-effective technologies to meet client demand for customized wireless solutions.

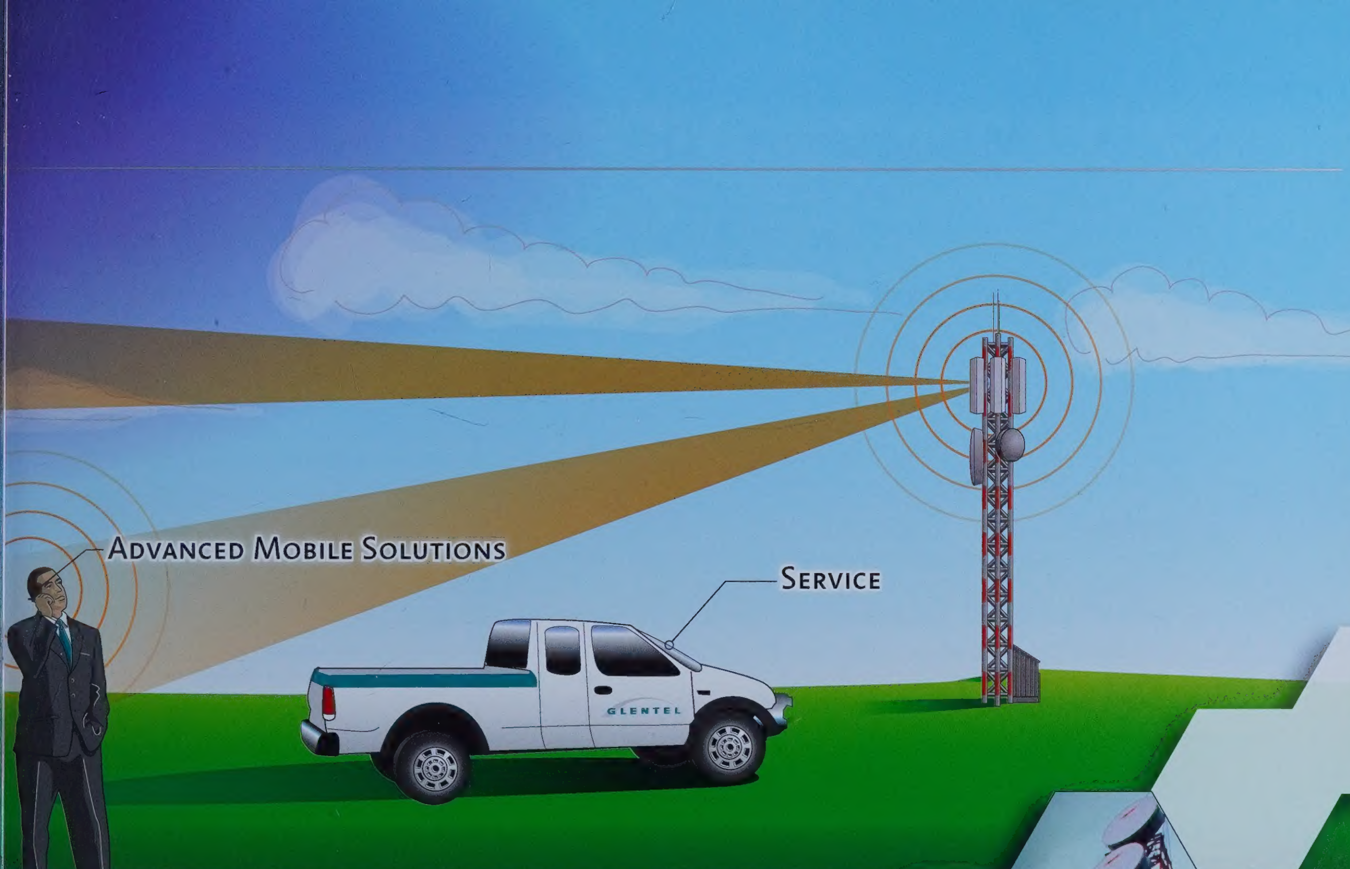
With more than 40 years of sales and service experience in developing and delivering wireless solutions, we have the engineering skills, technical resources, and working relationships with "best-of-breed" partners to create seamlessly integrated solutions. System engineering, furnishing and installation, hardware, software, network access, airtime usage, system maintenance, and service provide the customer with a complete solution – and provide Glentel with opportunities for generating recurring revenue.

Demand for wireless solutions – especially in broadband – continues to grow. Companies and institutions are increasingly choosing affordable, quickly deployed, portable broadband wireless solutions over traditional wired systems. New wireless devices, expanded network services, and software applications allow them to manage mobile people and assets more securely and with greater cost-efficiency. When the office or facility moves, a wireless solution can often move with it. As technology advances, our wireless solutions can upgrade with it.

Other current market drivers include new "man-alone" legislation in many jurisdictions that mandates organizations to protect their workforce with mobile communications solutions. Network carriers are upgrading and expanding network capacity, and new wireless applications in areas such as fleet management, field force automation, and wireless enterprise solutions continue to enable business advantages. Alberta's booming economy, fuelled by robust growth in oil and gas production, is also contributing to increased demand for Glentel solutions, especially in resource management.

During 2004 Glentel completed the operational integration of Mobilcom, a broadband industry leader acquired in late 2003. This significantly strengthened our ability to serve this growing market segment and gave Glentel's Edmonton Business Centre – one of our 10 centres across Canada – Motorola Service Shop certification. Certification enables Glentel to serve not only our own Motorola customers, but also Motorola's direct customers, which further enhances recurring revenue growth from services. As the wireless communications industry continues to consolidate, Glentel will look closely at potential acquisitions to further sharpen our competitive edge.

In order to facilitate in-house sharing of expertise from different core competencies that will drive ever greater innovation in solutions, the Business Division formed a market development group in 2004. This group provides technical and project support to evaluate and test every solution for optimum performance – and manage each project process, from bid to follow-up review. This cross-pollination of expertise and focus on systematic project management promises to significantly enrich Glentel's ability to innovate and expedite projects.



• Oil & Gas • Forestry • Mining • Transportation
• Field Force Automation • Health • Education

SIGNATURE PROJECTS IN 2004

Glentel developed a solution that moved Alberta-Pacific Forest Industries to a hybrid terrestrial radio and satellite-based communication system. The solution, cost-effectively expanding the coverage area to 58,000 square kilometres in north-central Alberta, featured the world's first linkage between a Zetron dispatch system and MSAT satellite technology to support improved service to the mobile woodlands users. The project exemplifies Glentel's expertise in integration as well as its ability to provide and maintain a complete solution. Glentel not only developed the solution and sold the product, but also provides the airtime component and service.

In another first, Glentel completed the inaugural Canadian installation of a laser-based communication system for the Edmonton Economic Development Corporation in Alberta. The system – based on a laser developed by Canon – provides the primary communications hi-speed data link between two of the organization's corporate offices 500 metres apart. The Canobeam Free Space Optics technology enables safe and secure communications over distances of up to two kilometres by way of a laser beam. The technology can deliver more than one Gbps full duplex service at prices far less than conventionally available wireline solutions.

Glentel also developed a secure, reliable wireless communication system linking nine traffic monitoring cameras within Greater Edmonton to a central monitoring location. This is the first phase of a program to provide remotely controlled traffic cameras at some 50 city intersections. The real-time information gathered will allow the City of Edmonton to continue to enhance service effectiveness.

Partners

Motorola
Mobile Satellite Ventures
SkyBitz
Tait
Telesat
Eonsat
Globalstar
Canon
Orthogon
Zetron
Microwave Data Systems
Rogers Wireless
Bell Mobility
Fido Solutions

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following management discussion and analysis is effective March 9, 2005 and should be read together with our audited annual consolidated financial statements and the accompanying notes for the year ended December 31, 2004, which have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). All financial amounts are expressed in Canadian dollars. Additional information, including the Company's Annual Information Form ("AIF"), can be obtained from the System for Electronic Document Analysis and Retrieval ("SEDAR") on the internet at www.sedar.com.

OVERVIEW

Glentel Inc. ("Glentel" or "the Company") operates in two distinguishable industry segments providing wireless communication solutions:

The WirelessWave Retail Division, accounting for 74% of consolidated sales, provides personal cellular communication products and choice of cellular carrier to consumers through 86 retail outlets in major shopping malls in Canada.

The Wireless Business Division, accounting for 26% of consolidated sales, provides its customers with integrated wireless solutions – designing and commissioning wireless networks for commercial applications in three core areas: terrestrial radio systems, satellite network services, and advanced mobile solutions.

OVERALL PERFORMANCE

2004 was another year of solid growth in both sales and net income for Glentel. Consolidated net income for the year ended December 31, 2004 increased 14%, to $4,143,000, $0.50 per share, compared to $3,634,000, $0.45 per share last year.

The increase in sales and net income was primarily the result of growth in the WirelessWave Retail Division. During the year, the division opened 18 new stores and closed its last street store, bringing the total to 86 WirelessWave retail mall-based stores operating in British Columbia, Alberta, Manitoba, and Ontario, compared to a total of 69 stores at the end of 2003. The number of same-store cellular phones and other wireless devices sold increased 2% during the year for stores that were open throughout both the 2004 and 2003 fiscal years.

The Wireless Business Division increased its sales in the last half of 2004. When combined with its improvement in operating costs and efficiencies that were achieved following the Mobilcom Wireless acquisition in December 2003, this has resulted in improved operating income.

Consolidated cash and cash equivalents balances as at December 31, 2004 improved to $8,201,000 compared to $688,000 last year. The significant improvement in the cash position is a result of increased sales, prepaid warranty receipts, and a refinement of credit terms with our carrier partners in 2004. This provided better matching of inventory, accounts payable, and accounts receivable following changes the carriers made to their sales programs in late 2003. In addition, in the 4th quarter of 2003 the WirelessWave Retail Division had increased its inventory levels in anticipation of an inventory shortage in the marketplace during the 2003 Christmas season. This condition did not recur during the 2004 season.

The Corporate General and Administrative Division continues to contain costs and focus on improvements to systems, infrastructure, and management reporting to support the growth in the retail division and new opportunities in the business division.

Glentel is well positioned to capitalize on opportunities in the growing telecommunications industry. The WirelessWave formula to success will allow further penetration into other regions of Canada in which it does not currently operate. The Wireless Business Division's successful integration of its acquisition of Mobilcom in late 2003 provides the impetus to absorb further industry consolidation in the integrated wireless solutions space. The Company has a strong balance sheet and a strong industry-based management team in an equity market that favours growth-oriented companies. These factors put Glentel in a very strong position to achieve its planned goals.

SELECTED ANNUAL CONSOLIDATED FINANCIAL INFORMATION

(In thousands of dollars, except per share amounts)

	Years ended December 31		
	2004	2003	2002
Total assets	**$ 51,058**	$ 43,184	$ 30,388
Total long-term debt, excluding deferred extended warranty revenue	**17**	66	63
Sales	**$ 96,744**	$ 75,058	$ 55,937
Operating income before interest and taxes	**6,593**	5,463	2,584
Income tax expense (recovery)	**2,734**	1,883	(1,067)
Net income	**$ 4,143**	$ 3,634	$ 3,625
Net income per share			
-Basic	**$ 0.50**	$ 0.45	$ 0.45
-Fully diluted	**$ 0.46**	$ 0.43	$ 0.43

The increase in year-over-year consolidated sales is due to the growth in the WirelessWave Retail Division. As at December 31, 2004 the division had grown to 86 mall-based retail stores from 69 in 2003 and 50 in 2002. This expansion, combined with an increase in yield per store, has resulted in a compound average growth rate ("CAGR") of revenue over the past five years for WirelessWave in excess of 40%.

The year-over-year increase in operating income before interest and income taxes corresponds with the growth and performance of the WirelessWave Retail Division. The Wireless Business Division operating results have remained flat during this same period; however, the division has not negatively impacted Glentel's operating income.

Operating and net incomes increased 21% and 14% respectively, to $6,593,000 and $4,143,000 in 2004, compared to $5,463,000 and $3,634,000 in 2003. These increases were directly related to the performance of the retail division mentioned above.

RESULTS OF OPERATIONS - 2004 COMPARED TO 2003

Sales for the year ended December 31, 2004 increased 29% to $96,744,000 compared to $75,058,000 in 2003. Operating income before interest and taxes increased 21% to $6,593,000 for the year compared to $5,463,000 in 2003. Net income for the year was $4,143,000, $0.50 per share, compared to net income of $3,634,000, $0.45 per share, in 2003. These increases are the result of the following segmented analysis.

WIRELESSWAVE RETAIL DIVISION

Sales of retail cellular products and services in the WirelessWave Retail Division grew 39% to $71,841,000 in 2004, compared to $51,638,000 in 2003. This growth in sales occurred because the division added 18 new stores and closed its last street store during the year, bringing the total number of mall-based stores to 86 as at December 31, 2004. In addition, the number of cellular phones and other wireless devices sold in the year, in stores that were open throughout both the 2003 and 2004 fiscal years, increased 2% over the previous year.

Operating income before interest and taxes for the division increased 21% to $10,780,000 for the current year, compared to $8,907,000 the previous year. As a percentage of sales, the division's operating income was 15% in 2004, down from 17% the previous year. This was caused by our major cellular provider's compensation plans being revised during the year and, as a result, there was approximately $5,000,000 of product subsidy included in the increased sales in 2004 that was offset by the same amount of increase in the cost of the product. The result was that the gross profit earned per sale remained unchanged; however, the percentage to sales was reduced. Had this change in dealer compensation plans not occurred during the year, the 2004 operating income as a percentage of sales would have remained relatively flat compared to the previous year.

Operating expenses for the year increased to $20,494,000 compared to $15,155,000 in 2003 due to the increased number of stores added in 2004. The increased costs have grown in relative proportion to the growth in sales and gross profit margins over the prior year. Certain training costs increased during the year, as WirelessWave continued its investment in its in-house training program for staff, the benefits of which were realized by the division through operating results.

Amortization expense of property and equipment for the year increased to $1,859,000 compared to $1,554,000 in 2003 due to the increased number of stores added during the year.

WirelessWave plans to continue opening new stores and over the next twelve months will target to open between 15 and 20 new mall-based stores. The division is also looking at strategic opportunities to expand into provinces in which it currently does not operate.

WIRELESS BUSINESS DIVISION

Sales of terrestrial radio systems, satellite network services, advanced mobile solutions, and service/engineering support by the Wireless Business Division increased 6% to $24,903,000 in 2004 compared to $23,420,000 in 2003. This increase was due to the 2003 business acquisition of Mobilcom Wireless sales and service and to the delivery of products and services for previously announced terrestrial radio solutions and broadband systems contracts.

Operating income before interest and taxes for the division increased 42% to $926,000 for the current year compared to $653,000 for the previous year. The improved operating income was a result of increased sales mentioned above, together with an improvement in operating costs and efficiencies being realized following the Mobilcom Wireless acquisition in December 2003.

Operating expenses for the year increased to $7,498,000 compared to $6,727,000 last year. This was due to the added staff in sales, management, technical service, and engineering from the acquisition of Mobilcom Wireless Inc. The integration of these operations was completed during the year and efficiencies began to be reflected through improved operating profits in the last half of the year.

Amortization expense of property and equipment for the year decreased to $1,136,000 compared to $1,604,000 last year, which was due to a reduction of one branch operation which was closed in late 2003.

The Wireless Business Division continues to work at positioning itself to be an integrated solutions and service provider for wireless voice and data solutions, solidifying engineering, product development, and technical service support to take full advantage of opportunities in the wireless voice and data solutions market. In 2003, Glentel participated in industry consolidation through its acquisition of Mobilcom. Glentel remains positioned to take advantage of further consolidation opportunities that may be presented in the future.

CORPORATE OPERATIONS

In the Corporate General and Administrative Division, administrative and marketing services are managed centrally and are not allocated directly to the operating divisions. Operating expenses for the year increased to $4,914,000 compared to $3,879,000 last year. A portion of this increase is due to the addition of staff personnel required to support the 30% growth in sales during the year. Also included in general and administrative expenses is the new stock-based compensation expense of $391,000 (2003 - $22,000) that is being amortized over the vesting periods of the options granted. In addition, management fees paid to its majority shareholder increased to $438,000 in 2004 compared to $250,000 last year.

SUMMARY OF CONSOLIDATED QUARTERLY RESULTS

(In thousands of dollars, except per share amounts)

	Years ended December 31							
	2004				2003			
	Dec 31 2004	**Sep 30 2004**	**Jun 30 2004**	**Mar 31 2004**	Dec 31 2003	Sep 30 2003	Jun 30 2003	Mar 31 2003
Sales	**$ 30,595**	**$ 24,424**	**$ 21,577**	**$ 20,148**	$ 25,736	$ 18,788	$ 15,918	$ 14,616
Operating income (loss)	**2,830**	**1,911**	**993**	**859**	3,428	1,229	958	(152)
Net income (loss)	**$ 1,780**	**$ 1,195**	**$ 627**	**$ 541**	$ 2,345	$ 769	$ 606	$ (86)
Net income (loss) per share - Basic	**$ 0.21**	**$ 0.14**	**$ 0.08**	**$ 0.07**	$ 0.29	$ 0.10	$ 0.07	($0.01)

Historically, the Company's business is stronger during its 3rd and 4th quarters, while the 1st quarter is generally the weakest quarter of the year. This seasonal pattern is tied closely to traditional cycles in consumer spending.

One carrier partner's successful marketing program undertaken in the 4th quarter of 2003 resulted in a strong 4th quarter in that year. In addition, in the 4th quarter of 2004, two Canadian carriers undertook an aggressive customer switching program in which WirelessWave chose not to participate. As a result of these two events, the net income per share in the 4th quarter of 2004 was $0.21, down from $0.29 for the same quarter in 2003.

LIQUIDITY

The Company's cash and cash equivalents balance improved to $8,201,000 at December 31, 2004 compared to $688,000 the previous year. Working capital strengthened to $13,553,000 at December 31, 2004 compared to $9,198,000 the prior year.

During the year, operating activities after changes in working capital generated $11,809,000 in cash flow. This significant change is a result of cash generated from operations of approximately $6,000,000. An improvement in working capital in excess of $2,000,000 was due to a refinement of credit terms with our carrier partners re-negotiated late in 2003 and implemented in early 2004. This provided better matching of inventory, accounts payable and accounts receivable following changes in their sales programs. In addition, receipt of deferred warranty revenue in advance of revenue recognition was in excess of $3,000,000.

During the year, the Company used cash for investing activities in the amount of $3,712,000 compared to $5,587,000 in 2003. The cash was primarily used to acquire capital assets for the 18 new mall-based stores in the WirelessWave Retail Division during the year (19 stores in 2003). The reduction in total cash used for investing activities in 2004 over the prior year was due to the receipt of proceeds of $648,000 from the sale of investments in 2004. During 2004 the Company reached a final settlement with the former shareholders of Mobilcom Wireless, and that changed the purchase price allocation (see note 2). This resulted in an additional payment of $125,000 for the acquisition of the business, and brought the total cash invested for the Mobilcom acquisition to $925,000.

The Company anticipates that its cash flow and credit facility will be sufficient to fund future operations. The Company's immediate plan is to continue to finance its planned growth through internally generated funds.

SUMMARY OF CONTRACTUAL OBLIGATIONS

As at December 31, 2004 (In thousands of dollars)

		Payments Due by Period			
	Total	Less than 1 year	1-3 Years	4-5 Years	After 5 years
Long-term debt	$ 33	$ 16	$ 17	$ -	$ -
Operating leases	20,114	5,008	10,660	2,660	1,786
Total contractual obligations	**$ 20,147**	**$ 5,024**	**$ 10,677**	**$ 2,660**	**$ 1,786**

The Company is obligated to repair or replace cellular products sold under extended warranty contracts, the cost of which is not determinable. Revenue from the sale of the contracts is deferred and amortized to income over the period of the contracts as described in note 4(g) to the Consolidated Financial Statements.

CAPITAL RESOURCES

The Company has a $3,000,000 revolving operating facility with a major Canadian chartered bank. The facility bears interest at bank prime rate plus 0.75% and is secured by a general security agreement over the Company's assets. At December 31, 2004, the bank indebtedness was $nil (2003 - $688,000).

In addition, the Company has an arrangement, with the same major Canadian chartered bank, for a $2,500,000 fixed rate term loan, to be used for financing potential acquisitions. The Company has not yet utilized this facility.

Letters of credit totaling $140,000 have been issued and remain outstanding at December 31, 2004 as performance guarantees under the terms of certain contracts in the normal course of business.

Total debt to equity ratio was 0.92 at December 31, 2004 compared to 0.98 in 2003. Total assets increased to $51,100,000 at December 31, 2004 compared to $43,200,000 the year before.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has outstanding letters of credit totaling $140,000 (December 31, 2003 - $140,000) that have been issued as security for the Company's obligations under a contract.

TRANSACTIONS WITH RELATED PARTY

The Company had the following transactions with its majority shareholder:
(In thousands of dollars)

	Years ended December 31	
	2004	2003
Management fees	**$ 438**	$ 250
Operating and administrative expenses	**231**	250
Construction services & marketing materials	**2,126**	1,935

During the year, the Company was charged a fee by its majority shareholder, TCG International Inc. ("TCGI"), for the managerial services of the Chief Executive Officer. Certain other operating and administrative services provided to the Company by TCGI resulted in an additional administrative fee as agreed to by the Board of Directors. In addition, the Company paid for construction services and marketing materials provided by a subsidiary of TCGI in connection with new store openings and marketing programs during the year. Related party transactions are measured at the exchange amount. As at December 31, 2004, the Company owed TCGI $20,000 (2003 - $57,000).

FOURTH QUARTER RESULTS

(In thousands of dollars, except per share amounts)

	Quarter ended December 31		
	2004	2003	2002
Sales	**$ 30,595**	$ 25,736	$ 16,391
Operating income before interest and taxes	**2,830**	3,428	1,812
Income tax expense (recovery)	**1,285**	1,093	(1,448)
Net income	**$ 1,780**	$ 2,345	$ 3,260
Net income per share			
- Basic	**$ 0.21**	$ 0.29	$ 0.40

Sales for the 4th quarter ended December 30, 2004 increased 19% to $30,595,000 compared to $25,736,000 in 2003, and the 4th quarter of 2003 increased 57% when compared to $16,391,000 in 2002.

Growth in consolidated sales in 2004, compared to 2003 and 2002, was due to an increase in sales in the WirelessWave Retail Division resulting from the increased number of stores operating in the 4th quarter of 2004 over the previous years. Improvements in sales in the Wireless Business Division also contributed to the growth of the 4th quarter sales.

One carrier partner's successful marketing program undertaken in the 4th quarter of 2003 resulted in a strong 4th quarter in that year. In addition, in the 4th quarter of 2004, two Canadian carriers undertook an aggressive customer switching program in which WirelessWave chose not to participate. As a result of these two events, the number of same-store cellular phones and other wireless devices sold in the 4th quarter of 2004 decreased 6% over the same period in 2003.

In addition, in the 4th quarter of 2004 the Company expensed $256,000 ($22,000 in 2003) related to the new stock-based compensation that is being amortized over the vesting periods of the options granted.

As a result, operating income before interest and taxes decreased to $2,830,000 for the 4th quarter ended December 31, 2004, compared to $3,428,000 in 2003 that was an 89% increase over the 4th quarter of 2002 of $1,812,000.

Due to the above factors, net income for the 4th quarter of 2004 was $1,780,000, $0.21 per share, down from $2,345,000, $0.29 per share, for the same quarter last year. Net income for the 4th quarter of 2002 included a recovery of income taxes of $1,448,000, and was $3,260,000, $0.40 per share.

PROPOSED TRANSACTIONS

There are no proposed asset or business acquisitions or dispositions that require discussion.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Significant accounting policies are described in note 4 to the Consolidated Financial Statements included in Glentel's 2004 Annual Report. There were no significant changes in accounting policies or estimates since the fiscal year ended December 31, 2004.

(a) Accounts Receivable

As at December 31, 2004, accounts receivable totaled $16,047,000. Management follows conservative practices in granting trade credit and diligently practices several credit risk minimizing techniques. Management regularly reviews the entire accounts receivable portfolio and updates, based on most current available information, its estimate of unrecoverable amounts. These amounts form the basis of the Company's allowance for doubtful accounts.

(b) Inventory

As at December 31, 2004, inventories totaled $8,914,000 and were valued at the lower of cost and net realizable value. As a result of the high rate of technological change, management closely monitors the quality and profile of inventories to identify items which may present a risk. Once identified, various strategies are developed to maximize the realizable value such as return to the manufacturer, promotional activity (advertising, markdowns, etc) and finally liquidation. Management reviews inventory item profiles on an ongoing basis, which minimizes overall risk, and updates the estimates of the amount required to reflect such risk. Estimated unrecoverable amounts are charged to earnings in the period in which the condition is identified.

(c) Goodwill

The Company performs the required test for goodwill impairment annually in the 4th quarter, or more frequently if events or changes in circumstances indicate that the asset might be impaired. In performing the required test, management estimates the future cash flows and operating income of each reporting unit. As at December 31, 2004, goodwill totaled $1,049,000.

(d) Future Income Tax Assets

The Company evaluates its future income tax assets and records a valuation allowance where the recovery of the future income tax does not meet the required level of certainty. At December 31, 2004, a valuation allowance of $487,000 has been provided in respect of capital losses carried forward. As at December 31, 2004, future income tax assets, including the current portion, totaled $2,257,000.

CHANGE IN ACCOUNTING POLICY

As previously described, during 2003 the Company adopted prospectively the new accounting requirements of the Canadian Institute of Chartered Accountants ("CICA") with respect to stock-based compensation and other stock-based payments. These recommendations require the application of the fair value method to account for stock-based compensation and other stock-based payments. This change was applied prospectively for options granted after January 1, 2003. Compensation expense recorded under the new policy, described in note 4(j), was $391,000 in 2004, or $0.05 per share ($22,000 in 2003, or $0.01 per share).

FINANCIAL INSTRUMENTS

During the two most recent years, the Company did not use derivative financial instruments, such as swaps, futures, or hedging contracts, as the Company's operations would not normally require the use of such instruments. The Company's financial instruments, their fair values, and the financial risks to which the Company is exposed are disclosed in note 4(m) to the consolidated financial statements.

RISKS AND UNCERTAINTIES

The WirelessWave Retail Division will continue to expand its locations in a competitive industry sector. Its major products include cellular phones and accessories that are provided by a limited number of highly price-competitive and market-share driven carriers, who effectively set retail margins for these products.

An important aspect of the WirelessWave Retail Division's strategy has been to achieve a critical mass so that carriers find the division's continued success to be imperative for their own success. In assembling the critical mass, the Company has committed to long-term lease obligations for store premises as previously summarized in this report and also included in note 15 of the financial statements.

The Wireless Business Division provides business communication solutions for both voice and data transmission in a technology sector that, by definition, is constantly changing. Its product offering is to provide complete turnkey integrated wireless business solutions in the terrestrial, satellite, and new advanced mobile communications markets.

Key to the division's success is to maintain its focus on delivering these integrated voice and data communications solutions in the markets of its expertise - terrestrial, satellite, and advanced mobile communications technology.

The Company has received a reassessment of income taxes for the 2002 fiscal year in which the Company has been denied a recovery of income taxes of $1.3 million in connection with a deemed disposition of certain marketable securities. Management has filed a notice of objection and believes the Company's position is reasonable. As the ultimate outcome is indeterminable, no provision for reassessed income taxes has been reflected in these financial statements.

In addition to risks described elsewhere in this report, the Company is subject to each of, and the cumulative effect of all of, the following risk factors. The Company has comprehensive risk management practices in place designed to offset these risk factors to the greatest extent possible. Risk factors include:

- Competition in the wireless telecommunication industry and competition from wired telecommunications;
- Technological change, new products and standards;
- Dependence on third party manufacturers and suppliers;
- Dependence on key personnel and products;
- Variances in the industry growth rate;
- Risk of inability to effectively manage future growth and expansion;
- Dependence on continuing demand for the Company's products;
- Lengthy and variable sales cycles;
- Potential fluctuations in quarterly results;
- Finite financial resources and the potential need for future financing; and
- Changes in the regulatory environment.

OUTLOOK FOR 2005

The WirelessWave Retail Division should continue to expand in 2005, with 15 to 20 new retail mall-based stores planned. Expansion should take place in regions in Canada in which WirelessWave is currently not located. Additional revenue benefits should be expected as carriers recognize benefit from the WirelessWave branding and channel to market. Product bundling by the carriers should allow WirelessWave to leverage its infrastructure, resulting in increased market penetration in these product categories. Sales should increase due to the maturing of stores opened during the past two years and the impact of new stores planned for 2005. Demand for cellular products and services continues to be strong, and residual income is projected to grow as a result of the growth in the total subscriber base from activations.

In the Wireless Business Division, increased revenue and operating profits should be expected as cost efficiencies have been achieved in 2004. The experience of our professional people should continue to provide new integrated communication solutions to our customers. Further opportunities for consolidation should present themselves to the Wireless Business Division during the year, as the desire for national support becomes a critical component of a communications solution decision by our customers.

The 2004 year was a very successful year for Glentel. The WirelessWave Retail Division met its growth and operating results goals for the year, in spite of the lower results in the 4th quarter. The Wireless Business Division successfully integrated the 2003 business acquisition and achieved positive results in the second half of the year. We anticipate another successful year in 2005.

Certain statements in the Management's Discussion and Analysis, other than statements of historical fact, are forward-looking in nature and involve various risks and uncertainties. These can include, without limitations, statements concerning possible or assumed future results of operations of the Company preceded by, followed by, or that include words and phrases such as "believes," "plans," "intends," "expects," "anticipates," "estimates" or similar expressions. Forward-looking statements are not guarantees of future performance. They involve risks, uncertainties and assumptions related to all aspects of the wireless communications industry and the global economy. As a result, the Company's actual results may differ materially from those anticipated in the forward-looking statements and there can be no assurance that such statements will prove to be accurate. Factors that may cause such differences include, but are not limited to, those under the section labeled "Risks and Uncertainties." The Company assumes no obligation to update forward-looking statements should circumstances or management's estimates or opinions change.

The consolidated financial statements and the management's discussion and analysis of financial condition and results of operation ("MD&A") are the responsibility of the management of Glentel Inc. The financial statements have been prepared in accordance with Canadian generally accepted accounting principles, using management's best estimates and judgement of all information available up to March 9, 2005.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal controls. The Audit Committee of the Board of Directors, consisting solely of outside directors, meets regularly during the year with financial officers of the Company, and annually with the external auditors, to satisfy itself that management is properly discharging its financial reporting responsibilities to the Directors, who approve the consolidated financial statements.

These financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the accounting policies summarized in note 4 of the notes to the consolidated financial statements.

The consolidated financial statements have been audited by Deloitte & Touche LLP, the independent auditors, in accordance with Canadian generally accepted auditing standards. The auditors have full and unrestricted access to the Audit Committee.

THOMAS E. SKIDMORE
Chairman, President and
Chief Executive Officer

Dale B Belsher

DALE B. BELSHER
Chief Financial Officer

Burnaby, British Columbia
March 9, 2005

To the Shareholders of
Glentel Inc.

We have audited the consolidated balance sheets of Glentel Inc. as at December 31, 2004 and 2003 and the consolidated statements of operations, retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2004 and 2003 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants
Vancouver, British Columbia
March 9, 2005

CONSOLIDATED BALANCE SHEETS

December 31 (in thousands of dollars)

	2004	2003
ASSETS		
CURRENT		
Cash and cash equivalents	$ 8,201	$ 688
Marketable securities (Note 5)	-	449
Accounts receivable	16,047	14,450
Income taxes receivable	726	-
Current portion of leases receivable (Note 6)	-	35
Inventory	8,914	11,012
Prepaid expenses	402	589
Current portion of future income tax benefits (Note 16)	832	1,320
	35,122	28,543
PROPERTY AND EQUIPMENT (Note 7)	13,273	12,197
DEFERRED PENSION COSTS (Note 8)	189	190
GOODWILL (Note 2)	1,049	918
FUTURE INCOME TAX BENEFITS (Note 16)	1,425	1,336
	$ 51,058	$ 43,184
LIABILITIES		
CURRENT		
Bank indebtedness (Note 9)	$ -	$ 688
Accounts payable and accrued liabilities	19,376	15,521
Income taxes payable	-	1,538
Current portion of deferred extended warranty revenue (Note 10)	2,177	1,493
Current portion of long-term debt (Note 11)	16	105
	21,569	19,345
DEFERRED EXTENDED WARRANTY REVENUE (Note 10)	2,846	1,923
LONG-TERM DEBT (Note 11)	17	66
	24,432	21,334
SHAREHOLDERS' EQUITY		
Share capital (Note 12)	18,469	18,194
Contributed surplus (Note 13)	380	22
Retained earnings	7,777	3,634
	26,626	21,850
	$ 51,058	$ 43,184

COMMITMENTS AND CONTINGENT LIABILITIES (Note 15)

On behalf of the Board:

Director

Ron Sowerby
Director

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF OPERATIONS

Years ended December 31 (In thousands of dollars except per share amounts)

	2004	2003
Sales	$ 96,744	$ 75,058
Cost of sales	54,055	40,510
Operating and administrative expenses	32,902	25,709
Income before interest, taxes and amortization	9,787	8,839
Amortization, property and equipment	3,194	3,376
Operating income before undernoted items:	6,593	5,463
Interest income	101	78
Interest expense - long-term	(16)	(24)
Gain from sale of investments	199	-
Income before taxes	6,877	5,517
Income tax expense (Note 16)	2,734	1,883
Net income	$ 4,143	$ 3,634
Basic net income per share (Note 12 (d))	$ 0.50	$ 0.45
Fully diluted net income per share (Note 12 (d))	$ 0.46	$ 0.43

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

Years ended December 31 (In thousands of dollars)

	2004	2003
Retained earnings (deficit), beginning of year	$ 3,634	$ (16,650)
Elimination of deficit (Note 12 (b))	-	16,650
Net income	4,143	3,634
Retained earnings, end of year	$ 7,777	$ 3,634

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31 (In thousands of dollars except per share amounts)

	2004	2003
OPERATING ACTIVITIES		
Net income	$ 4,143	$ 3,634
Items not affecting cash:		
Stock-based compensation	391	22
Amortization, property and equipment	3,194	3,376
Amortization, deferred extended warranty sales	(2,002)	(1,325)
Gain from sale of investments	(199)	-
Future income taxes	399	(758)
	5,926	4,949
Cash provided by (used for) working capital	2,275	(4,344)
Increase (decrease) in deferred pension costs	(1)	1
Deferred extended warranty revenue	3,609	2,376
	11,809	2,982
FINANCING ACTIVITIES		
(Decrease) increase in bank indebtedness	(688)	688
Issuance of share capital	242	150
Repayment of long-term debt	(138)	(81)
	(584)	757
INVESTING ACTIVITIES		
Additions to property and equipment	(4,270)	(4,937)
Acquisition of business, net of bank indebtedness acquired	(125)	(800)
Proceeds from sale of investments	648	12
Reduction in lease receivable	35	138
	(3,712)	(5,587)
NET CASH INFLOW (OUTFLOW)	7,513	(1,848)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	688	2,536
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 8,201	$ 688
CASH AND CASH EQUIVALENTS CONSIST OF:		
Cash	$ 1,759	$ 688
Cash equivalents	6,442	-
	$ 8,201	$ 688
SUPPLEMENTAL CASH FLOW INFORMATION:		
Interest paid	$ 16	$ 24
Income taxes paid	$ 4,600	$ 1,050

The accompanying notes are an integral part of the consolidated financial statements.

FINANCIAL STATEMENTS

Years ended December 31, 2004 and 2003 (In thousands of dollars except per share amounts and amounts in narrative)

Glentel Inc. operates two distinct businesses. WirelessWave Retail Division provides personal cellular communications products to consumers via retail mall-based outlets in major shopping malls in Canada, and the Wireless Business Division provides integrated wireless solutions; designing and commissioning wireless networks for commercial applications in three core areas: terrestrial radio systems, satellite network services, and advanced mobile solutions.

The Company's WirelessWave Retail Division provides services to several Canadian wireless communications carriers. Two significant carriers in Canada recently amalgamated. During the year approximately 53% (2003 - 46%) of the Company's revenue was provided by the amalgamated carrier and its predecessors.

On December 30, 2003, the Company acquired the outstanding shares of Mobilcom Wireless Inc. ("Mobilcom") for $1. On December 31, 2003, Mobilcom was wound up into the Company.

As at December 31, the net assets acquired at fair value were as follows:

	2004	2003
Accounts receivable	**$ 656**	$ 656
Inventory	**457**	457
Prepaid expenses	**54**	54
Property and equipment	**379**	379
Future income tax asset	**907**	907
Goodwill	**1,049**	918
	3,502	3,371
Liabilities assumed	**(2,549)**	(2,543)
Amounts due to former shareholders	**(953)**	(828)
Total acquisition cost	**$ -**	$ -

During 2004, the Company reached a final settlement with the former shareholders of Mobilcom and changed the purchase price allocation to increase amounts due to former shareholders by $125,000, increase liabilities assumed by $6,000 and increase goodwill by $131,000.

In 2003, the Company adopted prospectively the new accounting requirements of the Canadian Institute of Chartered Accountants ("CICA") with respect to stock-based compensation and other stock-based payments. These recommendations require the application of the fair value method to account for stock-based compensation and other stock-based payments, as described in Note 4 (j). In 2002, the Company applied the fair value method to account for stock options granted to non-employees and the intrinsic value method for stock options granted to employees.

The effect of this change in 2003 was to decrease net income by $22,000 and increase contributed surplus by $22,000.

4. SIGNIFICANT ACCOUNTING POLICIES

The Company is incorporated under the Canada Business Corporations Act. These financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles:

(a) Basis of presentation

The financial statements include the accounts of the Company and its subsidiaries. All material intercompany accounts and transactions have been eliminated upon consolidation.

(b) Cash and cash equivalents

Cash and cash equivalents consist of cash on deposit and highly liquid short-term investments with a maturity of less than three months. Cash equivalents are carried at market value which approximates cost.

(c) Marketable securities

Marketable securities are stated at the lower of cost and market.

(d) Inventory

Inventory is valued at the lower of cost and net realizable value.

(e) Property and equipment

Property and equipment are recorded at cost. Amortization is computed on the declining balance basis, except for rental equipment which is on the straight-line basis. Annual rates to amortize the cost of property and equipment over their estimated useful lives are as follows:

Buildings	4%
Rental equipment	2 to 5 years
Equipment	10% to 30%
Software	30%

Leasehold improvements are amortized over the terms of the respective leases, including the first renewal option.

The Company reviews, on an annual basis, its property and equipment for any indication of impairment and significant asset retirement obligations.

(f) Goodwill

Goodwill represents the excess of purchase consideration over the fair market value of assets and liabilities acquired. Goodwill is not amortized but is tested for impairment on an annual basis. An impairment loss is recognized when the carrying value of goodwill exceeds its fair value.

(g) Revenue recognition

Revenue includes all amounts related to the sale of products and services.

Revenue is recognized upon delivery of goods or services and when collection is reasonably assured.

Rental revenue from rental of equipment is recognized over the period of the lease.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2004 and 2003 (In thousands of dollars except per share amounts and amounts in narrative)

Extended warranty sales are deferred and amortized to sales in the statement of operations on a straight-line basis over the warranty period.

(h) Net income per share

Basic income per share has been calculated using the monthly weighted average number of common shares outstanding during the year. Fully diluted earnings per share is calculated by application of the treasury stock method for stock options.

(i) Income taxes

Future income taxes, when recognized, reflect the tax effect, using enacted tax rates, of differences between the book and tax bases of assets and liabilities and the anticipated benefit of losses carried forward for income tax purposes.

(j) Stock-based incentive plans

The Company has granted options to selected directors, officers and employees. The Company accounts for its grants using the fair value method of accounting for stock-based compensation. Accordingly, the fair value is measured at the grant date and is charged to operations, with an offsetting credit to contributed surplus, on a straight-line basis from the grant date over the vesting period. Any consideration paid by employees on exercise of stock options is credited to share capital. If stock or stock options are repurchased from employees, the excess of the consideration paid over the carrying amount of the stock or stock options is charged to retained earnings.

(k) Foreign currency

Transactions denominated in U.S. dollars have been translated into Canadian dollars at the approximate rate of exchange prevailing at the time of the transaction. Monetary assets and liabilities denominated in foreign currencies have been translated into Canadian dollars at the year-end exchange rate. Exchange gains and losses are included in earnings.

(l) Pension costs

Pension costs are charged to income as they accrue. In determining pension expense, the unrecognized pension surplus or liability, adjustments arising from changes in actuarial assumptions, and experience gains and losses are being amortized on a straight-line basis over the expected average remaining service life of the employee group. The assets of the pension plans are valued at market values.

(m) Financial instruments

The Company's financial instruments include cash and cash equivalents, accounts receivable, leases receivable, accounts payable and accrued liabilities, and long-term debt. The fair values of the financial instruments approximate their carrying values due to their immediate or short-term maturity or their market-related interest rates. Market values of investments in marketable securities have been disclosed in Note 5.

(n) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, particularly the recoverability of accounts receivable, inventory, and property and equipment, and liabilities at the date of the financial statements, the disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

	2004	2003
Investments in shares of other public companies, market value - $Nil (2003 - $886)	**$ -**	$ 449

The leases represent capital equipment leases yielding interest at 10% per annum and maturing in 2004.

	Cost	Accumulated Depreciation	**2004 Net Book Value**	2003 Net Book Value
Land	$ 114	$ -	**$ 114**	$ 114
Building	41	14	**27**	28
Leasehold improvements	10,353	4,316	**6,037**	4,896
Equipment	8,975	4,415	**4,560**	4,190
Rental equipment	7,050	6,032	**1,018**	1,184
Software	2,637	1,120	**1,517**	1,695
Leased equipment	-	-	**-**	90
	$ 29,170	$ 15,897	**$ 13,273**	$ 12,197

Rental income generated from the rental of equipment amounted to $1,885,000 (2003 - $2,251,000).

...AL STATEMENTS

Years ended December 31, 2004 and 2003 (In thousands of dollars except per share amounts and amounts in narrative)

The Company sponsors a final-pay contributory defined benefit pension plan for its employees. The pension benefits for certain employees are indexed at 2% per annum in respect of service accrued on or after January 1, 1997.

Information about the Company's defined benefit pension plan in aggregate, as at December 31 is as follows:

	2004	2003
PLAN ASSETS		
Fair value at beginning of year	**$ 2,268**	$ 1,820
Actual return on plan assets	**189**	183
Employer contributions	**210**	197
Employees' contributions	**136**	122
Benefits paid	**(128)**	(54)
Fair value at end of year	**$ 2,675**	$ 2,268
ACCRUED BENEFIT OBLIGATION		
Balance at beginning of year	**$ 2,436**	$ 1,846
Current service cost	**227**	212
Employees' contributions	**136**	122
Interest cost	**317**	310
Withdrawals and benefits paid	**(128)**	(54)
Balance at end of year	**$ 2,988**	$ 2,436
Funded status - plan deficit	**$ (313)**	$ (168)
Unamortized net actuarial losses	**767**	676
Unamortized transitional assets	**(265)**	(318)
Deferred pension costs	**$ 189**	$ 190

Plan assets consist of the following measured as of December 31:

	2004	2003
Equity securities	**62%**	63%
Fixed income securities	**38%**	37%

The significant actuarial assumptions adopted in measuring the Company's accrued benefit obligations are as follows:

	2004	2003
Discount rate	**6.0%**	7.0%
Expected long-term rate of return on plan assets	**6.0%**	7.0%
Rate of compensation increase	**3.0% - 3.5%**	4.0% - 4.5%

The Company's net benefit plan expense is as follows:

	2004	2003
Current service cost	**$ 227**	$ 212
Interest cost	**178**	151
Actual return on plan assets	**(189)**	(184)
Actuarial losses on accrued benefit obligation	**139**	159
	355	338
Adjustments to recognize the long-term nature of employee future benefit costs:		
Difference between actual and expected return on plan assets	**23**	47
Amortization of transitional asset	**(53)**	(53)
Difference between actuarial gain recognized for the year and the actuarial gain on accrued benefit obligation	**(114)**	(136)
	$ 211	$ 196

The Plan's most recent actuarial valuation for funding purposes was performed as of December 31, 2001 and the next valuation will be performed as of December 31, 2004.

9. BANK INDEBTEDNESS

Bank indebtedness bears interest at bank prime rate plus 0.75% and is secured by a general security agreement over the Company's assets. The current lending agreement provides for a $3.0 million (2003 - $2.5 million) revolving operating facility as well as an agreement to provide a fixed rate loan of $2.5 million (2003 - $Nil) to be used for financing potential business acquisitions. The Company has not yet utilized the fixed rate loan facility. Bank indebtedness at December 31, 2004 is $Nil (2003 - $688,000).

10. DEFERRED EXTENDED WARRANTY REVENUE

	2004	2003
Deferred extended warranty revenue	**$ 5,023**	$3,416
Less: Amounts to be amortized within one year	**2,177**	1,493
Long-term portion of deferred extended warranty revenue	**$ 2,846**	$1,923

11. LONG-TERM DEBT

	2004	2003
Obligations under capital leases, which expire between 2005 and 2007	**$ 33**	$ 171
Less: Current portion	**(16)**	(105)
	$ 17	$ 66

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2004 and 2003 (In thousands of dollars except per share amounts and amounts in narrative)

The future principal and interest payments on the capital leases are as follows:

	2004	2003
2004	$ -	$ 125
2005	**20**	47
2006	**13**	28
2007	**8**	7
	41	207
Less: Interest	**8**	36
	$ 33	$ 171

12. SHARE CAPITAL

(a) Authorized

An unlimited number of common shares without par value.

b) Issued

	Common Number	Common Amount
Balance, December 31, 2002	8,092,095	$ 33,536
Elimination of deficit	-	(16,650)
Contributed surplus	-	1,158
Issued for cash	115,250	150
Balance, December 31, 2003	8,207,345	18,194
Issued for cash	216,100	242
Transfer from contributed surplus on exercise of stock options	-	33
Balance, December 31, 2004	8,423,445	$ 18,469

On May 14, 2003, the shareholders of the Company resolved that the share capital of the Company be reduced by $16,650,000, representing the amount of the deficit at December 31, 2002, and that contributed surplus of $1,158,000 be added to the share capital of the Company.

(c) Stock-based incentive plans

The details of the Company's share option plan, under which eligible employees, directors and consultants can be granted options to purchase common shares, at a price not less than the market value of the shares at the date granted, are as follows:

	2004 Shares	**2004** Weighted Average Exercise Price	2003 Shares	2003 Weighted Average Exercise Price
Outstanding at beginning of year	**980,000**	**$ 1.66**	852,250	$ 1.56
Granted	**347,000**	**5.78**	255,000	1.78
Exercised	**(216,100)**	**1.12**	(115,250)	1.30
Relinquished and expired	**-**	**-**	(12,000)	0.95
Outstanding at end of year	**1,110,900**	**$ 3.05**	980,000	$ 1.66
Options exercisable at end of year	**688,400**	**$ 2.59**	709,250	$ 1.77

Range of Exercise Prices	Options Outstanding: Number Outstanding at December 31, 2004	Options Outstanding: Weighted Average Remaining Contractual Life	Options Outstanding: Weighted Average Exercise Price	Options Exercisable: Number Exercisable at December 31, 2004	Options Exercisable: Weighted Average Exercise Price
$0.55 to $0.95	194,150	5.80 years	$ 0.80	101,150	$ 0.66
$1.70 to $1.80	198,750	6.01 years	1.71	113,750	1.70
$2.01 to $3.10	371,000	4.61 years	2.39	368,500	2.39
$4.79 to $6.10	347,000	9.33 years	5.78	105,000	6.10
	1,110,900	6.54 years	$ 3.05	688,400	$ 2.59

Options granted to directors are exercisable immediately and expire after ten years. All other options are exercisable on the basis of 25% of the options per year on a cumulative basis, beginning after one year and expiring after ten years. The maximum number of shares issuable pursuant to the option plan shall not exceed 2,000,000.

(d) Additional disclosures

(i) Stock options granted to employees

The weighted average grant-date fair value of stock options granted in 2004 was $2.07 (2003 - $1.11). The fair values of these options were determined using a Black-Scholes option pricing model, recognizing forfeitures as they occur, using the following weighted average assumptions:

	2004	2003
Risk-free interest rate	**3.55%**	3.67%
Expected life - directors	**1.5 years**	5 years
Expected life - other employees	**2.5 years**	5 years
Weighted-average share price volatility	**58.67%**	72.70%
Expected dividends	**$ -**	$ -

Years ended December 31, 2004 and 2003 (In thousands of dollars except per share amounts and amounts in narrative)

(ii) Income per share

Reconciliation of dilution of basic earnings per share for the years ended 2004 and 2003 is as follows:

		2004	
	Net Income	**Weighted Average Number of Common Shares**	**Net Income Per Share**
Basic net income per share	**$ 4,143**	**8,316,669**	**$ 0.50**
Stock option plan	**-**	**593,076**	**(0.04)**
Fully diluted net income per share	**$ 4,143**	**8,909,745**	**$ 0.46**

		2003	
	Net Income	Weighted Average Number of Common Shares	Net Income Per Share
Basic net income per share	$ 3,634	8,117,427	$ 0.45
Stock option plan	-	278,076	(0.02)
Fully diluted net income per share	$ 3,634	8,395,503	$ 0.43

Additional consideration of net income per share using the fair value method for all stock options granted during 2002 to directors, officers and employees would not have a significant impact on the information presented above.

	2004	2003
Balance, beginning of year	**$ 22**	$ 1,158
Applied to share capital (Note 12 (b))	**-**	(1,158)
Stock-based compensation charged to operations	**391**	22
Transfer to share capital on exercise of stock options	**(33)**	-
Balance, end of year	**$ 380**	$ 22

The Company had the following transactions with its majority shareholder:

	2004	2003
Management fees	**$ 438**	$ 250
Operating and administrative expenses	**231**	250
Construction and marketing services - stores	**2,126**	1,935

As at December 31, 2004, the Company owed its majority shareholder $20,000 (2003 - $57,000).

COMMITMENTS AND CONTINGENT LIABILITIES

(a) The future minimum operating lease and maintenance commitments of the Company are as follows:

2005	$ 5,008
2006	4,392
2007	3,652
2008	2,616
2009	1,677
Subsequent years	2,769
	$ 20,114

(b) Legal actions have been commenced against the Company in connection with various matters arising during the normal course of business activities. Management is of the opinion that the cost of settling and defending such actions will not be significant and, accordingly, no provision for losses has been reflected in these financial statements.

(c) Letters of credit totaling $140,000 (2003 - $140,000) have been issued as security for the Company's obligations under a contract.

(d) The Company has received a reassessment of income taxes for the 2002 fiscal year in which the Company has been denied a recovery of income taxes of $1.3 million in connection with a deemed disposition of certain marketable securities. Management has filed a notice of objection and believes the Company's position is reasonable. As the ultimate outcome is indeterminable, no provision for reassessed income taxes has been reflected in these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2004 and 2003 (In thousands of dollars except per share amounts and amounts in narrative)

16. INCOME TAXES

The components of the income tax expense are as follows:

	2004	2003
Current expense	**$ 2,335**	$ 2,641
Future expense (recovery)	**516**	(240)
Tax benefits not previously recognized	**(117)**	(518)
Net tax expense	**$ 2,734**	$ 1,883

The Company has capital losses carried forward for income tax purposes of approximately $2,703,000 (2003 - $3,351,000) for which no benefit was recognized. Future benefits, if any, will be restricted to one half of enacted rates and will be recognized when realized.

The provision for income taxes reported differs from the amount calculated by applying the Canadian statutory tax rate to income before taxes for the following reasons:

	2004	2003
Income before taxes	**$ 6,877**	$ 5,517
Statutory rate	**36%**	37%
Expected expense for tax purposes	**$ 2,475**	$ 2,041
Non-deductible expenses	**185**	28
Tax benefit of timing differences and losses carried forward, not previously recognized	**(117)**	(518)
Other adjustments	**191**	332
	$ 2,734	$ 1,883

The components of the future income taxes are as follows:

	2004	2003
Future income tax assets		
Deferred extended warranty revenue	**$ 1,808**	$ 1,231
Property and equipment	**428**	467
Intangible assets	**-**	120
Accrued liabilities	**52**	144
Deferred gain	**37**	52
Capital losses	**487**	603
Non-capital losses	**-**	712
	2,812	3,329
Less: Valuation allowance	**(487)**	(603)
	2,325	2,726
Future income tax liability		
Deferred pension costs	**68**	70
	2,257	2,656
Less: Current portion	**832**	1,320
	$ 1,425	$ 1,336

17. SEGMENTED INFORMATION

The Company operates within Canada in two distinguishable industry segments. The WirelessWave Retail Division provides personal communications products and services to consumers. The Wireless Business Division provides a wide range of terrestrial, satellite and advanced mobile communications products and services to commercial, government and industrial customers.

Information by business segment is as follows:

	2004	2003
Sales to external customers:		
WirelessWave Retail Division	**$ 71,841**	$ 51,638
Wireless Business Division	**24,903**	23,420
	96,744	75,058
Income before interest taxes and amortization:		
WirelessWave Retail Division	**12,639**	10,461
Wireless Business Division	**2,062**	2,257
Corporate	**(4,914)**	(3,879)
	9,787	8,839
Amortization, other than deferred warranty sales:		
WirelessWave Retail Division	**1,859**	1,554
Wireless Business Division	**1,136**	1,604
Corporate	**199**	218
	3,194	3,376
Operating income before interest income and long-term debt interest expense:		
WirelessWave Retail Division	**10,780**	8,907
Wireless Business Division	**926**	653
Corporate	**(5,113)**	(4,097)
	$ 6,593	$ 5,463
Net capital expenditures:		
WirelessWave Retail Division	**$ 2,852**	$ 3,153
Wireless Business Division	**1,127**	1,688
Corporate	**291**	96
	$ 4,270	$ 4,937
Assets employed:		
WirelessWave Retail Division	**$ 27,905**	$ 25,683
Wireless Business Division	**9,972**	11,839
Corporate	**13,181**	5,662
	$ 51,058	$ 43,184

Corporate Information

ANNUAL MEETING

The company's annual meeting will be held on Wednesday, May 11, 2005 at 9.30 a.m. at the Hilton Vancouver Metrotown, 6083 McKay Avenue in Burnaby, BC

STOCK INFORMATION

Glentel trades on The Toronto Stock Exchange (trading symbol GLN)

INVESTOR RELATIONS

Dale B. Belsher, Chief Financial Officer, Tel 604 415 6500, Fax 604 415 6565, E-mail: dale.belsher@glentel.com

TRANSFER AGENT

Shareholders with a change of address or questions about their account should contact the registrar at:

Computershare Trust Company of Canada
510 Burrard Street, Vancouver, BC, CANADA V6C 3B9
Tel 1 800 564 6253, Fax 1 866 249 7775
E-mail: service@computershare.com

OFFICERS

Thomas E. Skidmore
Chairman, President & Chief Executive Officer

A. Allan Skidmore
Vice Chairman

Ronald E. Sowerby
Corporate Secretary

Dale B. Belsher
Chief Financial Officer

David M. Hartman
Vice President Operations, WirelessWave Retail Division

Daniel H. Lowndes
Vice President Operations, Wireless Business Division

Cary T. Skidmore
Vice President, Marketing

DIRECTORS

Dirk C.A. De Vuyst, West Vancouver, BC
Robert R. Dodd, New Westminster, BC
Gaylord U. Hazelwood, Cookstown, ON
Jacques Laurent, Montréal, QC
A. Allan Skidmore, Milner, BC
Arthur Skidmore, West Vancouver, BC
Thomas E. Skidmore, West Vancouver, BC
Ronald E. Sowerby, Coquitlam, BC

OPERATIONS EXECUTIVE

Thomas E. Skidmore
Chairman, President & Chief Executive Officer

David M. Hartman
Vice President Operations, WirelessWave Retail Division

Daniel H. Lowndes
Vice President Operations, Wireless Business Division

Dale B. Belsher
Chief Financial Officer

Cary T. Skidmore
Vice President, Marketing

Allan Skidmore, Dirk De Vuyst, Thomas Skidmore, Jacques Laurent, Ron Sowerby, (from left to right) Gaylord Hazelwood, Arthur Skidmore, Robert Dodd (seated)

Dale Belsher, David Hartman, Thomas Skidmore, Daniel Lowndes, Cary Skidmore (from left to right)

Locations

WIRELESS BUSINESS CENTRES

BRITISH COLUMBIA	Vancouver
	Fort St. John
ALBERTA	Calgary
	Edmonton
	Grande Prairie
	Lethbridge
	Medicine Hat
	Red Deer
	Athabasca (Service Centre, opened March 2005)
SASKATCHEWAN	Saskatoon
ONTARIO	Hamilton

WIRELESSWAVE STORES

BRITISH COLUMBIA

Abbotsford	Sevenoaks Shopping Centre
Burnaby	Brentwood Town Centre
	Lougheed Town Centre
	Metropolis at Metrotown
Chilliwack	Cottonwood Mall
Coquitlam	Coquitlam Centre
Kamloops	Aberdeen Mall
Kelowna	Orchard Park Mall
Langley	Willowbrook Shopping Centre
Nanaimo	Woodgrove Centre
Penticton	Cherry Lane Shopping Centre
Prince George	Pine Centre
Richmond	Richmond Centre
Surrey	Guildford Town Centre
Vancouver	Oakridge Shopping Centre
	Pacific Centre
Vernon	Village Green Mall
Victoria	Hillside Shopping Centre
	Mayfair Shopping Centre
West Vancouver	Park Royal South

ALBERTA

Calgary	Chinook Centre
	Eaton Centre
	Southcentre
	Marlborough Mall
	Market Mall
	Sunridge Mall
Edmonton	Kingsway Garden Mall
	Londonderry Mall
	Southgate Centre
	Sherwood Park Mall
	West Edmonton Mall (Phase II, Upper Level)
	West Edmonton Mall (Phase III, Lower Level)
Grande Prairie	Prairie Mall
Lethbridge	Park Place Mall
Lloydminster	Lloyd Mall
Medicine Hat	Medicine Hat Mall
Red Deer	Red Deer Centre

MANITOBA

Winnipeg	Polo Park Shopping Centre
	St. Vital Centre
	Kildonan Place*

ONTARIO

Barrie	Georgian Mall
Belleville	Quinte Mall
Brampton	Bramalea City Centre
Brantford	Lynden Park Mall
Burlington	Mapleview Shopping Centre
	Burlington Mall
Cambridge	Cambridge Centre
Etobicoke	Cloverdale Mall
	Woodbine Centre
Guelph	Stone Road Mall
Hamilton	Lime Ridge Mall
Kingston	Cataraqui Town Centre
Kitchener	Fairview Park Mall
London	Masonville Place
	White Oaks Mall
Markham	Markville Shopping Centre
Milton	Milton Mall
Mississauga	Erin Mills Town Centre
	Square One Shopping Centre (Lower Level)
	Square One Shopping Centre (Upper Level)
	Dixie Outlet Mall
New Market	Upper Canada Mall
North Bay	Northgate Shopping Centre
North York	Fairview Mall
Oakville	Oakville Place Shopping Centre
Oshawa	Oshawa Centre
Ottawa	Billings Bridge Plaza
	Carlingwood Shopping Centre
	Place D'Orleans
	Rideau Centre
Owen Sound	Heritage Place*
Peterborough	Lansdowne Place
Pickering	Pickering Town Centre
Sarnia	Lambton Mall
Scarborough	Scarborough Town Centre
St. Catharines	Pen Centre
Stoney Creek	Eastgate Square
Sudbury	New Sudbury Centre
Thornhill	Promenade Shopping Centre
Toronto	BCE Place
	CenterPoint Mall*
	Dufferin Mall
	Hudson's Bay Centre
	TD Centre
	Toronto Eaton Centre
Vaughan	Vaughan Mills (In-line)
	Vaughan Mills (Kiosk)
Waterloo	Conestoga Mall
Windsor	Devonshire Mall
	Tecumseh Mall*

*Open 2nd quarter of 2005

Glentel Inc.

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